

**FILED**

**JAN 12 2015**

**BEFORE THE BOARD OF OIL, GAS AND MINING  
DEPARTMENT OF NATURAL RESOURCES  
STATE OF UTAH**

**SECRETARY, BOARD OF  
OIL, GAS & MINING**

IN THE MATTER OF THE REQUEST FOR AGENCY  
ACTION OF INTERNATIONAL PETROLEUM LIMITED  
LIABILITY COMPANY, ET AL, FOR A HORIZONTAL  
DRILLING UNIT FOR THE PRODUCTION OF OIL AND  
GAS FROM THE TUNUNK MEMBER CONSISTING OF  
SECTION 11, TOWNSHIP 15 SOUTH, RANGE 3 EAST,  
S.L.M., SANPETE COUNTY, UTAH

**REQUEST FOR AGENCY ACTION**

Docket No. 2015-009

Cause No. 176-06

COMES NOW, International Petroleum Limited Liability Company ("IPLLC") and Bro Energy, LLC ("Bro," collectively, "Petitioners"), acting by and through their attorney, Anthony T. Hunter, pursuant to Utah Code Ann. § 40-6-6, hereby file this Request for Agency ("RAA") with the Board of Oil, Gas and Mining (the "Board"), requesting that the Board create a drilling unit for the production of oil and gas from the following formation:

The interval from the top of the Tununk (Tununk Shale Member of the Mancos Shale, Allen Valley Shale) to the base of the Tununk (top of Dakota, Sanpete), which is defined as the stratigraphic equivalent of the Gamma Ray – Sonic Log depths of 11,550 feet and 12,070 feet in the Moroni 1A-X well (API# 43039300070000) located in the NWSNW of Section 14, Township 15 South, Range 3 East, SLM, and of the SP – Resistivity and Lithology Log depths of 9,206 feet and 9,741 feet in the JW Irons #1 (API# 43039112430000) located in the N2SENE of Section 16, Township 15 South, Range 3 East, SLM.

(the "Subject Formation" or the "Tununk member") consisting of one governmental section described as the following Sanpete County, Utah lands:

Township 15 South, Range 3 East, SLM  
Section 11: All

(the “Subject Lands”) the same governmental section being a “temporary spacing unit” as defined by Utah Admin. Rule R649-3-2(6). In support of their RAA, the Petitioners respectfully state and represent:

1. International Petroleum Limited Liability Company is a Utah limited liability company with its principal place of business in Salt Lake City, Utah and is duly qualified to conduct business in the State of Utah. Bro Energy, LLC is a Utah limited liability company with its principal place of business in Salt Lake City, Utah and is duly qualified to conduct business in the State of Utah.

2. Petitioners own leasehold interests throughout the captioned section, as noted on Exhibit “B.” The leasehold interest in the north half of the Section (marked as parcel “1211”) was acquired on February 16, 2005 and recorded at Book 503, Page 1240 on April 5, 2005 (as amended at Book 522, Page 180 on January 6, 2006) in the office of the Register of Deeds of Sanpete County. The leasehold interests in the south half of the Section date (marked as parcel “3470”) were acquired on September 19, 2014, and recorded at Book 668, Page 537 and Page 548 on September 29, 2014. Petitioners own approximately 3.5% of the working interest in the proposed drilling unit.

3. An application for permit to drill (“APD”) for the Moroni 11M-1107 Well, API # 43039500050000 (the “Moroni Well”), was filed on July 14, 2014 and approved by the Division of Oil, Gas and Mining (“DOGM”) August 6, 2014, for a horizontal well in the captioned Section.

4. Despite its leasehold ownership in the north half of the Section, IPLLC did not receive notice of the APD, as is required by Utah Admin. Code R649-3-2(7).

5. The Moroni Well was spudded August 27, 2014. Upon information and belief, the well has been completed or will be completed in mid-January, 2015. *See* Request for Agency Action in Cause No. 176-05.

6. The Subject Lands are designated as a “temporary spacing unit,” but the governing regulations do not provide a determination of the correlative rights of the owners within its boundaries. *See* Utah Admin. Rule R649-3-2(6) *and* R649-1-1. The only right conferred by the regulations is the right to receive notice of proposed horizontal drilling operations within the Subject Lands. However, the right to receive notice necessarily implies the *potential* existence of a section-wide correlative right to participate in a proposed horizontal well.

7. Correlative rights are “the opportunity of each owner in a pool [a/k/a “reservoir”] to produce his just and equitable share of the oil and gas in the pool [a/k/a “reservoir”] without waste.” Utah Code Ann. §40-6-2(2) and (19). Waste is, among other things, “excessive ... dissipation of oil or gas or reservoir energy.” Utah Code Ann. §40-6-2(27)(a). At this time, the pool or reservoir potentially drained by the Moroni Well is undefined.

8. The Subject Formation has been described as a:

“[b]ody of marine shale, 600 to 800 feet thick, underlying Funk Valley (Ferron) formation and overlying Sanpete formation (Dakota). Consist largely of evenly bedded gray marine shale interbedded with thin layers of yellowish bentonite, siltstone, very fine grained sandstone, and gray limestone. No individual bed more than 1 foot thick. Thickness at type locality 620 feet.” *See* E.M. Spieker, 1946, USGS Prof. Paper 205-D, *Lexicon of Geologic Names of the United States*, GSA Bulletin 1200.

The Subject Formation contains numerous natural fractures that may connect discontinuous and discrete hydrocarbon-bearing features over distances up to 600 feet. These natural fractures, when

combined with hydraulic stimulation typically performed in horizontal drilling, have the ability to drain larger areas. Without further testing, it is difficult to predict the maximum area drained by one well.

9. Historically, the Board has erred on the side of caution when defining correlative rights in “rank wildcat” fields, especially with the potential for high production of natural gas, generally starting with one well per governmental 640-acre Section drilling unit. *See, e.g.*, the Order in Cause No. 131-14. Only after sufficient additional data and experience were gathered did smaller drilling units or additional wells per drilling unit gain approval. *See, e.g.*, the Order in Cause No. 139-84. Given that those orders were issued in the days of vertical drilling, it follows that similar, if not greater, caution should be exercised in the context of horizontal drilling.

10. Petitioners believe and therefore allege the proposed drilling unit is consistent with the public policies of this State; namely, to maximize gas production from the Subject Formation within the Subject Lands, without waste and with full protection of correlative rights.

11. Petitioners will, in accordance with Board rules, timely submit exhibits and present testimony in support of these allegations.

12. Petitioners will separately file a certificate of mailing listing all parties known to Petitioners, based on a search of the respective Federal, State of Utah and County realty records and the records of the Division, whose “legally protected interests” will be affected by this Request. There are no respondents or adverse parties known at this time to Petitioners.

**WHEREFORE**, Petitioners respectfully request:

1. That this matter be set for hearing on February 25, 2015 in Salt Lake City, Utah; and

2. That notice of such hearing be given as provided by law; and
3. That, upon sufficient evidence produced and testimony given at the hearing, the

Board enter an order:

- a) Establishing a drilling unit, effective as of the spudding date for the Moroni

Well, for the production of oil and gas from the Tununk member, defined as:

The interval from the top of the Tununk (Tununk Shale Member of the Mancos Shale, Allen Valley Shale) to the base of the Tununk (top of Dakota, Sanpete), which is defined as the stratigraphic equivalent of the Gamma Ray – Sonic Log depths of 11,550 feet and 12,070 feet in the Moroni 1A-X well (API# 43039300070000) located in the NWSEW of Section 14, Township 15 South, Range 3 East, SLM, and of the SP – Resistivity and Lithology Log depths of 9,206 feet and 9,741 feet in the JW Irons #1 (API# 43039112430000) located in the N2SENE of Section 16, Township 15 South, Range 3 East, SLM.

consisting of the following described Sanpete County lands:

Township 15 South, Range 3 East, SLM  
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- b) Authorizing the Moroni 11M-1107 Well as the unit well at the location and distances from other wells previously approved by the Division; and
- c) Making such findings and orders in connection with this Request as it deems necessary; and
- d) Providing for such other and further relief as may be just and equitable under the circumstances.

Respectfully submitted this 12th day of January, 2015.



By: \_\_\_\_\_

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